Financial Statements 1990

92-00671/

Prepared by:

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The Municipality of Metropolitan Toronto was incorporated in 1953 by an act of the Province of Ontario. The most populous municipality in Canada, it is located on the north shore of Lake Ontario and consists of six municipalities - the Borough of East York, the City of Etobicoke, the City of North York, the City of Scarborough, the City of Toronto and the City of York. The Municipality, with a population of 2,140,000, covers 632 square kilometres extending 40 kilometres along the north shore of Lake Ontario and 16 kilometres inland.

The structure of the metropolitan federation is based on the concept that certain services common to the community are the responsibility of Metropolitan Toronto, while services of a local nature are provided by the local municipality. The provision of other services is shared to the degree each function is metropolitan or local in scope.

Services provided by the Municipality of Metropolitan Toronto include police protection, regional roads and expressways, public transit, water supply, solid waste disposal, ambulance services, social services and regional parks. The area municipalities assume responsibility for such matters as fire protection, local streets, garbage collection, neighbourhood parks and the collection of property taxes.

With the highest income, output and invested productive capacity of any municipality in Canada, the economy of the Municipality ranks as one of the strongest and most diverse in Ontario, and indeed in Canada.

The Corporate logo, depicted above, symbolizes the six area municipalities, independent, yet interdependent, forming a union whose strength is greater than that of its individual parts.

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The Financial Statements of the Municipality of Metropolitan Toronto reflect the activities of the Municipality **not consolidated** with its local boards, commissions and municipal enterprises. Consolidated financial statements for the Municipality are published as part of the Annual Report of the Commissioner of Finance.

The Municipality of
Metropolitan Toronto

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Commissioner of Finance and Treasurer

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Director of Financial Services and Deputy Treasurer

THE CHAIRMAN AND MEMBERS OF THE COUNCIL
OF THE MUNICIPALITY OF METROPOLITAN TORONTO

FINANCIAL STATEMENTS 1990

INTRODUCTION

I am pleased to present the Financial Statements of the Municipality of Metropolitan Toronto for the year ended December 31, 1990. These statements reflect the operations of the Municipality which are not consolidated with its local boards and municipal enterprises. A comprehensive consolidated financial overview will be included as part of the subsequent Annual Report for fiscal 1990. In the meantime I have commented in some detail on the 1990 financial results with a view to providing an overview of 1990 fiscal activity.

Also presented herein are the Financial Statements of the Metropolitan Waterworks System, a municipal enterprise of the Metropolitan Corporation.

CURRENT OPERATIONS

During 1990, it became evident that the Metropolitan Corporation was experiencing significant difficulties in containing expenditures to budgeted levels, particularly with regard to the Community Services Department, the Metropolitan Toronto Police Services Board and the Toronto Transit Commission. In addition, it appeared that budgeted revenues would not be forthcoming at the levels originally anticipated.

In order to restrain overexpenditures and revenue shortfalls, the Metropolitan Council, in the latter part of the year, adopted a number of significant financial management initiatives and measures relating to stricter control of the subsequent expenditures of the Corporation, its Boards, Commissions and Agencies, including minimizing and postponing expenditures of a discretionary nature. As a direct consequence, the 1990 general municipal purpose operations were completed well within budget, and, in fact, a surplus of $15,481,000 was realized.

Operating expenditures

In 1990, total gross operating expenditures amounted to $2,435,323,000 as compared with total gross operating expenditures of $2,058,342,000 in 1989, an increase of 18%.

(Dollars in Thousands)	1990	%	1989	%
General government	$ 200,446	8	$ 154,724	8
Protection to persons and property	523,889	22	475,816	23
Transportation services	328,355	13	280,183	13
Environmental services	325,947	13	295,879	14
Health services	70,850	3	60,283	3
Social and family services	869,547	36	681,984	33
Recreation and cultural services	99,232	4	94,400	5
Planning and development	17,057	1	15,073	1
	$ 2,435,323	100	$ 2,058,342	100

General government

Included in this category is the payment of interest to area municipalities resulting from a court action to rescind the Metro by-law advancing the tax due dates. However, Metro's by-law was subsequently upheld by a higher court. Also, during the year, Council approved the transfer of $17,800,000 from the current fund to a Major Expenditure Variation Reserve to provide a greater degree of budgetary stabilization for coping in the future with sudden unanticipated major expenditure increases caused by mostly uncontrollable factors. This transfer was funded primarily by current fund revenues arising from the conversion of the former Waste Reserve Fund to a Waste Management Reserve, effective from January 1, 1990.

Protection to persons and property

In 1990, police uniformed employees increased from the prior year by 89 to 5,578 and the civilian work force increased by 159 to 2,119. In addition, the Police Force experienced a significant increase in costs of overtime, and shift and acting bonuses. This was largely due to an increase in criminal code offences and court time.

Transportation services

To reduce traffic congestion, the Transportation Department initiated several new programs, including the installation of an enhanced signal control system to be completed in 1991. The increased operating subsidy paid to the Toronto Transit Commission largely reflected the vigorous action initiated by the Commission to promote public transit throughout the Metropolitan Toronto community in a year marked by deteriorating economic conditions.

Environmental services

During 1990, in an effort to achieve Council's waste reduction objectives, the Solid Waste Management division undertook and expanded many initiatives to help facilitate recycling activities in the Metropolitan Toronto area. These included the payment of recycling diversion credits to the area municipalities, the initiation of a Community Action Waste Reduction Grants Programme and the ongoing implementation of the Toxic Taxi Programme to minimize the environmental impact of municipal solid waste disposal.

Health services

The increase in expenditures is largely due to a $5.4 million salary arbitration settlement with staff of the Ambulance Services Department retroactive to 1981. This settlement was funded from the Arbitration and Legislation Contingency Reserve.

Social and family services

An unprecedented increase in general welfare assistance of 41% is largely due to an increase in the annual caseload of 29.4% to over 600,000 cases, coupled with a

6% rate increase. In addition, the higher case load resulted in an increase in special assistance payments for dental services, medically based items and other basic needs of welfare recipients.

Recreational and cultural services

Included in this category are the costs of the Parks division of the Parks and Property Department, grants to cultural organizations, and expenditures related to Exhibition Place, the Metropolitan Toronto Library Board, Metropolitan Toronto Zoo, the O'Keefe Centre for the Performing Arts and the Guild Inn. Overall expenditures in this category remained relatively stable in 1990.

Planning and development

The increase in expenditures in 1990 compared to 1989 is mainly due to additional costs of approximately $700,000 incurred to provide technical support to the Metropolitan Waterfront Committee and for a number of proposed studies on transportation and environmental issues.

Operating revenues

In 1990, total operating revenues amounted to $2,395,644,000 as compared with total operating revenues of $2,080,338,000 in 1989, an increase of 15%.

(Dollars in Thousands)	1990	%	1989	%
Taxation - (Levy on area municipalities, supplementary taxes)	$ 953,570	40	$ 882,115	42
Ontario grants	879,861	37	721,236	35
User charges	375,916	15	339,376	16
Other revenue	186,297	8	137,611	7
	$ 2,395,644	100	$ 2,080,338	100

Taxation

The general tax levy on Metropolitan Toronto's six constituent area municipalities increased 9.1% over 1989. The rate of growth in the assessment upon which the Metropolitan levy is based was 2.4% in 1990, an increase from 2.1% in 1989. Revenue from taxation in 1990 includes $22,216,000 received for supplementary taxes levied during the year (1989 - $28,531,000).

Ontario grants

The total amount of provincial financial assistance (both conditional and unconditional grants) received during 1990 was $879,861,000, an increase of $158,625,000 or 22% over 1989. While this increase appears substantial, it must be pointed out that $123,675,000 thereof represents an increase in the flow through of provincial transfer payments to welfare recipients. Excluding this component of the increase, total provincial financial assistance rose by only 4.8% in 1990 over 1989.

The level of unconditional grant funding in 1990 increased by 5.6% over such funding in 1989. This contrasts sharply with the fact that unconditional grant funding in 1989 was frozen by the Province at 1988 levels.

Total provincial funding, as a percentage of gross operating expenditures, increased slightly from 35% in 1989 to 36% in 1990.

User charges

The increased revenue in this category is primarily due to the increases in landfill and transfer station fees effective May 1, 1990, accounting for an increase of $26.5 million over 1989. Also, in 1990, the area municipalities were charged a sewer surcharge of 171% (1989 - 168%) of the cost of water supplied. This increase in the surcharge, combined with a 6.2% increase in wholesale water rates, resulted in an increase in surcharge revenue of $4.3 million over 1989.

Other revenue

The increase in this category is primarily attributable to the increase in interest on short term investments arising due to the following:

- In 1990, Metropolitan Council passed a by-law to advance the levy due dates resulting in the earlier availability of funds for investment.
- As a consequence of the conversion of the Waste Reserve Fund to a Reserve as of January 1, 1990, the related investments were transferred to the current fund thereby substantially increasing the cash available for investment in the short term.

CAPITAL OPERATIONS

Gross capital expenditure in 1990 amounted to $420,271,000, an increase of 13% compared with 1989. Of this sum, $128,685,000, or 31%, was related to sewage and refuse disposal capital works, while expenditures on the expansion and improvements to the transit system, at $109,605,000, accounted for 26%. Ongoing capital costs in respect of Metro Hall, the new headquarters of the Metropolitan Corporation scheduled for occupancy in 1992, amounted to $32,832,000(8%) while the sum of $13,200,000(3%) was incurred in respect of police capital expenditures.

The significant transportation capital outlays incurred reflect the Corporation's ongoing commitment to the expansion of rapid transit facilities in the metropolitan region -- evidenced most recently by the Municipality's endorsement of the Province of Ontario's $5 billion strategy for a decade of major transit expansion, known as the "Lets Move" Program.

Total financing of capital expenditure during 1990 amounted to $361,750,000, comprised of provincial capital grants of $129,859,000 (36%), contributions from reserves and reserve funds of $97,550,000(27%), contributions from current funds of $80,628,000 (22%) and long term debt incurred of $25,599,000 (7%). Other miscellaneous sources of capital financing, such as excess sinking fund investment earnings on matured debenture debt amounted to $18,154,000(5%), while proceeds from the sale of capital assets and sundry capital contributions and recoveries totalled $9,960,000 (3%).

LONG RANGE CAPITAL AND FINANCIAL PLANNING

In considering the Capital Financial Forecast on February 14, 1990, Metropolitan Council reaffirmed the debt management criteria which has been in place for a number of years, namely:

- debt charges should average no more than 15% of the levy;
- the percentage of net capital expenditure to be raised annually in the levy should be no more than 50% of the financing required; and
- the mill rate should increase each year by no more than the estimated inflation rate within the economy as measured by the Consumer Price Index in the absence of significant expansion of existing programs or the introduction of new programs.

In 1990, the above financial policy guidelines were essentially adhered to, notwithstanding the climate of economic uncertainty coupled with the ever-increasing demands for municipal services. However, in line with Metropolitan Council's commitment to ensure the vitality of the Metropolitan Toronto economy, the Corporation has embarked on a deliberate acceleration of its capital program,

using its fiscal capacity to take a proactive anti-recession role. To illustrate, the total approved capital expenditures for 1990 amounted to $506 million; however, the 1991-1995 Capital Works Program envisages total capital spending of $741 million in 1991, increasing to $1,190 million in 1992. This accelerated level of capital spending will be dependent, however, on the future levels of provincial capital funding and the Corporation's access to viable alternative sources of financing.

DEBT STRUCTURE

The net long term liabilities outstanding of Metropolitan Toronto over the last six years for its own general municipal activities and municipal enterprises (exclusive of the Area Municipalities) are detailed below. Net long term liabilities for general municipal purposes are expressed on a per capita basis and as a percentage of taxable assessment. In 1990, both categories declined to their lowest level in the past six years.

(Dollars in Thousands Except per Capita Figures)	General Municipal Activities	Per Capita	% of Taxable Assessment	Municipal Enterprises
1985	$399,111	186	4.9	$97,590
1986	408,783	192	5.0	83,296
1987	443,104	208	5.3	68,047
1988	405,040	190	4.7	52,821
1989	423,189	198	4.8	42,524
1990	**386,881**	**181**	**4.2**	**43,583**

Metro Council's capital financing policy involving a "pay-as-you-go"annual provision of about 50% of capital borrowing requirements has been one of the most significant contributing factors in the stabilization of the Corporation's long term debt.

DEBT SERVICING

During the past six years, debt service charges for the general municipal purposes of the Metropolitan Corporation, as a percentage of the annual general tax levy on Metropolitan taxpayers, have declined from 14.8% to 11.7% and as a percentage of total operating expenditure from 7.2% to 4.6% as shown by the following tables:

(Dollars in Thousands)	Debt Charges	General Tax Levy	%
1985	$ 93,936	$635,820	14.8
1986	93,810	674,474	13.9
1987	98,695	726,707	13.6
1988	106,341	763,301	13.9
1989	109,503	882,115	12.4
1990	**111,940**	**953,570**	**11.7**

(Dollars in Thousands)	Debt Charges	Total Operating Expenditure	%
1985	$ 93,936	$1,310,864	7.2
1986	93,810	1,402,540	6.7
1987	98,695	1,560,063	6.3
1988	106,341	1,808,781	5.9
1989	109,503	2,058,342	5.3
1990	**111,940**	**2,435,323**	**4.6**

RESERVES AND RESERVE FUNDS

The year end balances of Reserves and Reserve Funds of the Municipality for the last six years is related to total operating expenditures below:

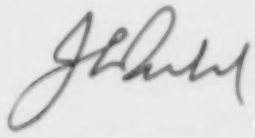
(Dollars in Thousands)	Reserves and Reserve Funds	Total Operating Expenditures	%
1985	$ 72,020	$1,310,864	5.5
1986	104,876	1,402,540	7.5
1987	146,902	1,560,063	9.4
1988	238,130	1,808,781	13.2
1989	294,269	2,058,342	14.3
1990	**376,771**	**2,435,323**	**15.5**

The increase in the Reserves and Reserve Funds during the year is primarily due to the increase in funds set aside for the financing of additional refuse disposal capacity in the future.

CONCLUSION

The year 1990 was clearly one of fiscal challenge with Metropolitan councillors and staff operating in an environment constrained by difficult economic times, budget restraints by other levels of government and the ever-increasing demands for services. However, Metro's fundamental financial strength, coupled with a concerted effort to exercise fiscal prudence and expenditure restraints, enabled it to cope with inflationary pressures and fulfil service obligations notwithstanding the climate of economic uncertainty.

Respectfully submitted,



John L. Pickard, B. Com., FCA
Commissioner of Finance and Treasurer

September, 1991

SIX-YEAR FINANCIAL REVIEW

Not Subject to Audit	(Dollars in Thousands Except per Capita Figures)	1990	1989
Statistics	Population at the end of the year	**2,137,204**	2,130,855
	Area in acres at the end of the year	**154,584**	154,584
	Employees - continuous full time	**17,168**	16,225
	- part time	**3,283**	2,942
Assessment	Taxable assessment upon which the year's rates of taxation were set		
	Residential and farm	**$4,245,140**	$4,125,461
	Commercial and industrial	**4,720,977**	4,627,743
		$8,966,117	$8,753,204
	Per capita	**$ 4,195**	$ 4,108
	Commercial and industrial, and business as a percentage of taxable assessment	**52.7%**	52.9%
Current Operations	Revenue for general municipal services		
	Taxation - (Levy on area municipalities, supplementary taxes)	**$ 953,570**	$ 882,115
	Ontario grants	**879,861**	721,236
	Other grants	**3,042**	2,127
	User charges	**375,916**	339,376
	Other revenue	**183,255**	135,484
		$2,395,644	$2,080,338
	Expenditure - general municipal	**$2,435,323**	$2,058,342
	Transfers to the school boards	**$1,821,752**	$1,633,238
	Accumulated net revenue at end of year	**$ 15,481**	$ 55,160

1988	1987	1986	1985
2,128,270	2,125,520	2,130,938	2,145,900
154,584	154,584	154,584	154,584
15,514	14,826	14,694	14,266
2,825	2,701	2,259	1,688
$4,069,523	$4,026,592	$3,935,859	$3,930,227
4,499,882	4,350,649	4,315,798	4,211,612
$8,569,405	$8,377,241	$8,251,657	$8,141,839
$ 4,026	$ 3,941	$ 3,872	$ 3,794
52.5%	51.9%	52.3%	51.7%
$ 763,301	$ 726,707	$ 674,474	$ 635,820
646,437	576,765	507,980	459,057
1,649	1,883	1,500	949
256,869	192,857	170,927	147,627
115,976	66,938	62,476	69,739
$1,784,232	$1,565,150	$1,417,357	$1,313,192
$1,808,781	$1,560,063	$1,402,540	$1,310,864
$1,379,891	$1,299,401	$1,297,950	$1,184,910
$ 33,164	$ 57,713	$ 52,626	$ 37,809

SIX YEAR FINANCIAL REVIEW - (continued)

Not Subject to Audit (Dollars in Thousands Except per Capita Figures)		1990	1989
Net Long Term Liabilities	General municipal activities	**$386,881**	$423,189
	Per capita	**$ 181**	$ 198
	Percentage of taxable assessment	**4.2%**	4.8%
	Municipal enterprises	**$ 43,583**	$ 42,524
	Charges for net long term liabilities		
	General municipal activities	**$111,940**	$109,503
	Per capita	**$ 52**	$ 51
Capital Operations	Capital financing during the year		
	Contributions from own funds	**$178,178**	$193,393
	Long term liabilities incurred	**25,599**	78,126
	Ontario grants	**129,859**	116,475
	Other	**28,114**	51,242
		$361,750	$439,236
	Capital expenditure during the year	**$420,271**	$370,633
Reserves and Reserve Funds	Balance at end of year	**$376,771**	$294,269

1988	1987	1986	1985
$405,040	$443,104	$408,783	$399,111
$ 190	$ 208	$ 192	$ 186
4.7%	5.3%	5.0%	4.9%
$ 52,821	$ 68,047	$ 83,296	$ 97,590
$106,341	$ 98,695	$ 93,810	$ 93,936
$ 50	$ 46	$ 44	$ 44
$110,590	$ 85,197	$ 83,472	$ 70,574
32,400	91,048	64,243	11,645
117,536	128,235	144,138	141,394
25,514	25,607	20,063	20,649
$286,040	$330,087	$311,916	$244,262
$364,914	$294,901	$323,285	$268,466
$238,130	$146,902	$104,876	$ 72,020

Municipality of Metropolitan Toronto 1990

The Municipality of
Metropolitan Toronto

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Allan G. Andrews, C.A., *Metropolitan Auditor*

April 30, 1991

AUDITOR'S REPORT

The Chairman and Members of
Metropolitan Council
The Municipality of Metropolitan Toronto

I have audited the non consolidated balance sheet of The Municipality of Metropolitan Toronto as at December 31, 1990 and the non consolidated statement of operations for the year then ended. These financial statements are the responsibility of the Municipality's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these non consolidated financial statements present fairly, in all material respects, the financial position of the Municipality as at December 31, 1990 and the results of its operations for the year then ended in accordance with generally accepted accounting principles for Ontario municipalities except that they are prepared on a non consolidated basis as explained in note 1 to the financial statements.

METROPOLITAN AUDITOR

MUNICIPALITY OF METROPOLITAN TORONTO

NON CONSOLIDATED BALANCE SHEET

December 31 (Dollars in Thousands)

ASSETS	1990	1989
Unrestricted		
Investments (note 3)	$ 171,822	$ 191,472
Accounts receivable (note 4)	334,753	258,977
Inventory	9,330	5,478
Prepaid expenses	41,534	22,212
Long term receivables	4,517	4,784
	561,956	482,923
Restricted (note 10)		
Cash	1,376	700
Investments (note 3)	128,032	255,830
Accounts receivable	2,601	4,585
Other current assets	382	514
	132,391	261,629
Capital outlay financed by long term liabilities and to be recovered in future years	386,881	423,189
	$ 1,081,228	$ 1,167,741

see accompanying notes

LIABILITIES AND FUND BALANCES	1990	1989
Current liabilities		
Temporary loans	$ 19,073	$ 24,950
Accounts payable and accrued liabilities	324,550	351,954
Other current liabilities (note 4)	20,876	22,102
	364,499	399,006
Net long term liabilities (note 7)	386,881	423,189
Fund balances at end of year		
To be used to offset taxation in the following year (note 9)	15,481	55,160
Capital operations not yet permanently financed (note 9)	(62,404)	(3,883)
Reserves (note 10)	260,977	53,758
Reserve funds (note 10)	115,794	240,511
	$ 1,081,228	$ 1,167,741

NON CONSOLIDATED STATEMENT OF OPERATIONS

Year Ended December 31 (Dollars in Thousands)

SOURCES OF FINANCING	1990	1989
Taxation and user charges		
Requisition on local municipalities	$ 2,775,322	$ 2,515,353
Less school board requisition	(1,821,752)	(1,633,238)
User charges	376,373	340,820
Grants		
Government of Canada	4,494	10,712
Province of Ontario	1,009,720	837,711
Other		
Investment income	76,321	48,760
Sale of land	790	16,194
Fines	43,424	52,992
Miscellaneous	47,372	52,387
Proceeds from the issue of long term liabilities	25,217	77,133
Municipal fund balances at beginning of year (note 9)		
To be used to offset taxation in the current year	55,160	33,164
Capital operations not yet permanently financed	(3,883)	(72,486)
Total financing available during the year	$ 2,588,558	$ 2,279,502

see accompanying notes

APPLIED TO	1990	1989
Current operations (note 8)		
General government	$ 129,850	$ 112,860
Protection to persons and property	501,802	450,603
Transportation services	297,320	256,210
Environmental services	179,884	162,827
Health services	64,279	53,597
Social and family services	859,784	672,560
Recreation and cultural services	83,386	78,962
Planning and development	16,785	14,827
	2,133,090	1,802,446
Capital operations		
General government	52,180	19,236
Protection to persons and property	27,415	28,041
Transportation services	179,306	173,927
Environmental services	128,415	104,086
Health services	5,697	6,298
Social and family services	9,088	15,183
Recreation and cultural services	17,554	22,726
Planning and development	234	143
	419,889	369,640
Net appropriations to reserves and reserve funds	82,502	56,139
Municipal fund balances at end of year (note 9)		
To be used to offset taxation in the following year	15,481	55,160
Capital operations not yet permanently financed	(62,404)	(3,883)
Total applications during the year	$ 2,588,558	$ 2,279,502

NOTES TO NON CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 1990

1. ACCOUNTING POLICIES

The financial statements of the Municipality of Metropolitan Toronto are the representations of management prepared in accordance with accounting policies prescribed for Ontario municipalities by the Ministry of Municipal Affairs, except that there are prepared on a non consolidated basis. Consolidated financial statements of the Municipality have been prepared and published separately.

(a) Basis of Statement Presentation

These financial statements reflect the assets, liabilities, sources of financing and expenditures of the revenue fund, capital fund, reserves and reserve funds of the Municipality, including the Metropolitan Toronto Police Services Board and the Metropolitan Licensing Commission.

All interfund assets and liabilities and sources of financing and expenditures have been eliminated with the exception of loans or advances between reserve funds and any other fund of the municipality and the resulting interest income and expenditures.

The following entities are not consolidated:

Metropolitan Toronto Waterworks System
Metropolitan Toronto Library Board
Toronto Transit Commission
Metropolitan Toronto Coach Terminal Inc. (formerly Gray Coach Lines, Limited)
Board of Governors of Exhibition Place
Board of Management of the O'Keefe Centre
Board of Management of the Metropolitan Toronto Zoo
Board of Management of the Guild
Metropolitan Toronto Housing Company Limited
Metropolitan Toronto Housing Development Corporation
Metropolitan Toronto School Board

The Statement of Operations reflects the Metropolitan Toronto Education Levy requisitioned upon the Metropolitan Toronto area municipalities and the subsequent transfer thereof to the Metropolitan Toronto School Board.

Trust funds and their related operations administered by the municipality are not consolidated but are reported separately on the Trust Funds Statement of Continuity and Balance Sheet.

(b) Basis of Accounting

(i) Revenue and expenditure recognition

The accrual basis of accounting recognizes revenues as they become available and measurable; expenditures are recognized as they are incurred and measurable as a result of receipt of goods or services and the creation of a legal obligation to pay.

(ii) Charges for long term liabilities

Sources of financing and expenditures are reported on the accrual basis of accounting with the exception of principal charges on long term liabilities which are charged against operations in the periods in which they are paid.

(iii) Fixed assets

The historical cost and accumulated depreciation for fixed assets are not recorded for municipal purposes. Fixed assets are reported as an expenditure on the Statement of Operations in the year of acquisition.

(iv) Capital outlay financed by long term liabilities and to be recovered in future years

"Capital outlay financed by long term liabilities and to be recovered in future years", as reported on the Balance Sheet, represents the sum of the outstanding principal portion of unmatured long term liabilities for municipal expenditures and the long term obligations arising out of capital leases entered into by the municipality.

(v) Liabilities payable in foreign currencies

Long term debt payable in foreign currencies has been translated into Canadian funds at the exchange rate prevailing at December 31, 1990.

(vi) Inventories

Inventories are valued at average cost.

2. Trust Funds

Trust funds administered by the Municipality amounting to approximately $26,000,000 (1989 - $32,000,000) have not been included in the Balance Sheet nor have their operations been included in the Statement of Operations.

3. Investments

The unrestricted investments of $171,822,000 (1989 - $191,472,000) and restricted investments of $128,032,000 (1989 - $255,830,000) are reported on the Balance Sheet at cost. The market value of these investments at the end of the year approximates cost.

4. Sinking Funds Surplus Monies

The sinking fund balances reflected in the net long term liabilities at the end of the year do not include specific accumulated contributions and earnings at that date in excess of the total related debt. These excess accumulations amounting to $16,916,000 in 1990 (1989 - $18,154,000) are subject to a decision of The Metropolitan Council as to their use for either capital purposes or the reduction of debt charges. Accordingly, while they have been recorded as receivable, corresponding amounts have been set up as deferred revenue and are included on the Balance Sheet under "Other Current Liabilities".

5. Pension Agreements

(a) Ontario Municipal Employees Retirement Fund

The Municipality contributes to the Ontario Municipal Employees Retirement Fund (OMERS), a multi-employer plan, on behalf of approximately 14,700 members (86%) of its staff. This plan is a defined benefit plan and specifies the amount of the retirement benefit to be received by the employees based on length of service and final average earnings.

The amount contributed to OMERS for current service in 1990 was $34,468,000 (1989 - $29,978,000) and is included as an expenditure on the Statement of Operations.

The latest actuarial valuation, conducted at December 31, 1989, indicates that OMERS is in sound financial condition and that current member and employer contribution rates appear sufficient to fund future benefits.

(b) Other Pension Plans

Certain employees of the Municipality of Metropolitan Toronto are members in a number of other pension plans. These plans provide pensions based on length of service and final average earnings.

The amount contributed to these plans for current service in 1990 was $6,001,000 (1989 - $6,099,000) and is included as an expenditure on the Statement of Operations.

Actuarial estimates indicate that, based on projections of employees' compensation levels to time of retirement, the present value of the unfunded obligations for pension benefits relating to past service was $15,842,000 as at December 31, 1990 (1989 - $21,720,000). This balance is being funded and charged to operations as follows:

Dollars in Thousands	
1991 to 1992	$8,901
1993 to 1994	6,941
	$15,842

No provision has been made in the accounts for this obligation and the expense is recorded as funded annually. Expenditure for past service of $4,926,000 was made in 1990 (1989 - $6,278,000) and is reported on the Statement of Operations.

6. Liability for Vested Sick Leave Benefits

Under the sick leave benefit plan, unused sick leave can accumulate and employees may become entitled to a cash payment when they leave the employment of the Municipality. In order to provide for this past service liability the Municipality has established a Corporate Sick Pay Reserve Fund. The following local boards and municipal enterprises also participate in this reserve fund:

Metropolitan Toronto Waterworks System
Metropolitan Toronto Library Board
Board of Governors of Exhibition Place
Board of Management of the Metropolitan Toronto Zoo
Metropolitan Toronto Housing Company Limited

The liability for these accumulated days, to the extent that they have vested and could be taken in cash by an employee on terminating, amounted to $114,735,000 (1989 - $104,055,000) at the end of the year.

Contributions to the Corporate Sick Pay Reserve Fund are based on amounts deemed to be sufficient to provide for anticipated payments and, during 1990, such contribtuions by the Municipality and other participants amounted to $5,252,000 (1989 - $3,697,000) and $359,000 (1989 - $268,000) respectively.

Anticipated payment over the next five years to employees of the Municipality and its participating local boards and municipal enterprises who are eligible to retire are as follows:

Dollars in Thousands	1991	1992	1993	1994	1995
Municipality	$ 5,846	$ 6,301	$ 6,658	$ 6,818	$ 7,440
Other participants	384	397	407	439	476

At December 31, 1990, the balance of the Corporate Sick Pay Reserve Fund was $9,422,000 (1989 - $9,752,000).

7. Net Long Term Liabilities

(a) The net long term liabilities reported on the Balance Sheet are made up of the following:

Dollars in Thousands	1990	1989
Total long term liabilities incurred by the Municipality including those incurred on behalf of school boards, other municipalities and municipal enterprises and outstanding at the end of the year amount to	$ 1,359,307	$ 1,368,080
In addition, the Municipality has assumed responsibility for the payment of principal and interest charges on certain long term liabilities issued by other municipalities. At the end of the year the outstanding principal amount of this liability is	256	338
Capital leases	289	2,281
Long term interest free loan payable to the Province of Ontario	2,681	2,681
Of the long term liabilities shown above, the responsibility for payment of principal and interest charges has been assumed by school boards, other municipalities, municipal enterprises and by the Province of Ontario. At the end of the year, the outstanding principal amount of this liability is	(598,894)	(589,635)
The total value of sinking funds and the balance in the Ministry of the Environment Debt Retirement Fund which have been accumulated to the end of the year to retire the outstanding long term liabilities included above amount to	(376,758)	(360,556)
Net long term liabilities	$ 386,881	$ 423,189

(b) Net long term liabilities - future redemption

Of the net long term liabilities reported in (a) of this note, $181,317,000 in principal payments are payable from 1991 to 1995, $72,481,000 from 1996 to 2000, and $99,000 thereafter.

The difference between the total of principal redemption indicated above ($253,897,000) and the total of net long term liabilities reported in note 7 (a) ($386,881,000) is related to the following two factors:

(i) Long term liabilities payable in U.S. funds reported in note (a) have been translated into Canadian funds at the exchange rate prevailing at December 31, 1990, whereas the projections of principal redemption above are based on $1 US = $1 Canadian.

(ii) The projections of principal redemption indicated above are based on the premise that actuarial sinking fund deposits (in respect of sinking fund debentures) will earn interest, capitalized yearly thereon, at a rate not exceeding 8% and which will be sufficient to repay such debentures in full at maturity.

(c) Translation of net long term liabilities payable in foreign currencies

Included in net long term liabilities on the Balance Sheet and translated into Canadian funds at the rate of exchange prevailing at December 31, 1990 is an amount of US$49,344,000 (1989 - US$63,555,000), the translated value of which amounts to Cndn$57,254,000 (1989 - Cndn$73,585,000).

(d) Ontario Municipal Board

Approval of the Ontario Municipal Board has been obtained for the debenture debt reported in (a) of this note issued in the name of the Municipality.

(e) Long term liabilities incurred on behalf of area municipalities, municipal enterprises, school boards and the Province of Ontario

The Municipality is contingently liable for long term liabilities for which the responsibility for the payment of principal and interest has been assumed by its area municipalities, municipal enterprises, school boards and the Province of Ontario. The total amount outstanding as at December 31, 1990 is $598,894,000 (1989 - $589,635,000) and is not recorded on the Balance Sheet.

8. Charges for Net Long Term Liabilities

Total charges for the year for net long term liabilities which are reported on the Statement of Operations are as follows:

Dollars in Thousands	1990	1989
Principal payments including contributions to sinking funds and the Ministry of the Environment Debt Retirement Fund	$39,560	$ 36,781
Interest	72,380	72,722
	$111,940	$109,503

The charges for long term liabilities assumed by the area municipalities, school boards and the Province of Ontario are not reflected in these statements.

9. Municipal Fund Balances at the End of the Year

The balances on the Statement of Operations of municipal equity (deficit) at the end of the year consist of the following:

Dollars in Thousands	1990	1989
For general reduction of taxation	$ 15,481	$ 55,160
Acquisition of fixed assets to be recovered through taxation	(515)	-
Acquisition of fixed assets to be financed from the proceeds of longterm liabilities	(137,574)	(90,118)
Acquisition of fixed assets to be recovered from other financing	(8,762)	-
Funds available for the acquisition of fixed assets	84,447	86,235
	(62,404)	(3,883)
	$(46,923)	$ 51,277

Approval of the Ontario Municipal Board has been obtained for the pending issues of long term liabilities.

10. Reserves and Reserve Funds

(a) The total balances of reserves and reserve funds are made up of the following:

Dollars in Thousands	1990	1989
Reserves set aside for specific purposes by Council		
Refuse disposal purposes	$ 201,840	$ 712
Contingencies	32,627	29,338
Replacement of equipment	8,840	7,722
Sick pay benefits	5,209	4,726
Debenture repayment	4,840	4,840
Exchange stabilization	4,360	4,360
Capital financing stabilization	1,677	-
Parks and recreation program facilities	1,584	1,298
Other	-	762
	260,977	53,758
Reserve funds set aside for specific purposes by Council		
Insurance	28,641	21,766
Pollution control	22,609	29,466
Employee benefits, other than sick pay	21,682	12,879
Parks and recreation program facilities	10,895	4,737
Metro Hall	10,690	11,301
Property settlement	10,607	9,631
Sick pay benefits	9,422	9,752
Refuse disposal purposes	-	140,348
Other	1,081	474
	115,627	240,354
Reserve funds set aside for specific purposes by legislation, regulation or agreement		
Lakeview Sewage Treatment Plant Contingency	167	157
	115,794	240,511
	$376,771	$294,269

(b) The assets and liabilities of the Reserve Funds are as follows:

Dollars in Thousands	1990	1989
Restricted Assets per the Balance Sheet	$ 132,391	$261,629
Receivable from the Revenue Fund (eliminated on Balance Sheet)	21,794	31,026
	154,185	292,655
Less: Accounts Payable	38,391	52,144
Fund Balance	$ 115,794	$240,511

11. Public Liability Insurance

The Municipality has established an Insurance Reserve Fund to meet the deductible provisions of insurance policies, to provide for premiums in respect of external insurance coverage and for the financing of losses in excess of external coverage. The metropolitan departments and the various participating local boards, commissions and agencies make annual contributions to the Insurance Reserve Fund on a predetermined basis which takes into account, among other things, the most recent claims experience.

Based upon an actuarial review, provision has been made in the accounts for reported claims, although the fund remains contingently liable for claims incurred but not reported. The balance of the Insurance Reserve Fund is considered adequate for its purpose and is, in any event, subject to ongoing review.

12. Workers' Compensation Obligations

The Municipality, as a Schedule II employer under the Workers' Compensation Act, follows a policy of self insurance for all its employees. Payments made to employees of the Municipality for accidents incurred while employed are expensed when made. The total value of awards outstanding as at December 31, 1990 is estimated by management to be $60,000,000, such sum not including any potential increases to such awards. No provision has been made in the financial statements for this liability.

13. Retiree Benefits

Metropolitan Council approved additional benefits related to retiree medical and dental coverage effective January 1, 1990. The estimated present value of such benefits has been actuarially determined to be $14,170,000. No provision has been made in the financial statements for this liability.

14. Contractual Obligations

The Metropolitan Council, in 1988, approved capital expenditures in the sum of $210,760,000 for the construction of Metro Hall, a distinct and identifiable headquarters for the Metropolitan Corporation, with occupancy planned for 1992. Council further approved that such capital expenditures be financed by debentures having a term not exceeding 10 years and in an amount of $210,760,000 less the total of amounts available in the Reserve Fund for Capital Costs of Metro Hall.

The Reserve Fund for Capital Costs of Metro Hall was created by Metropolitan Council in 1987. During 1987, 1988 1989 and 1990 the sums of $15,000,000, $30,000,000, $30,000,000 and $30,000,000 respectively were transferred to the Reserve Fund from current operations. The 1991 Operating Budget contains a provision for an additional contribution of $15,000,000.
As at December 31, 1990, capital costs of $97,251,000 had been expended and had been fully financed by the Reserve Fund. The balance of the Reserve Fund was $10,690,000 as at December 31, 1990 (1989 - $11,301,000).

15. Comparative Figures

Certain of the 1989 figures presented here for comparative purposes have been reclassified to conform with the current year's presentation.

ANALYSIS OF CURRENT OPERATIONS

Year Ended December 31 (Dollars in Thousands)	1990	1989
Surplus at beginning of year	**$ 55,160**	**$ 33,164**
Revenue		
Taxation and user charges		
Requisition on local municipalities	2,775,322	2,515,353
Less school board requisition	(1,821,752)	(1,633,238)
User charges	375,916	339,376
Grants		
Government of Canada	3,042	2,127
Province of Ontario	879,861	721,236
Other		
Investment income	60,805	22,894
Fines	43,424	52,992
Contributions from reserves and reserve funds	57,069	32,230
Miscellaneous	21,957	27,368
	2,395,644	2,080,338
Expenditure		
General government	200,446	154,724
Protection to persons and property	523,889	475,816
Transportation services	328,355	280,183
Environmental services	325,947	295,879
Health services	70,850	60,283
Social and family services	869,547	681,984
Recreation and cultural services	99,232	94,400
Planning and development	17,057	15,073
	2,435,323	2,058,342
Surplus at end of year	**$ 15,481**	**$ 55,160**

MUNICIPALITY OF METROPOLITAN TORONTO

ANALYSIS OF CAPITAL OPERATIONS

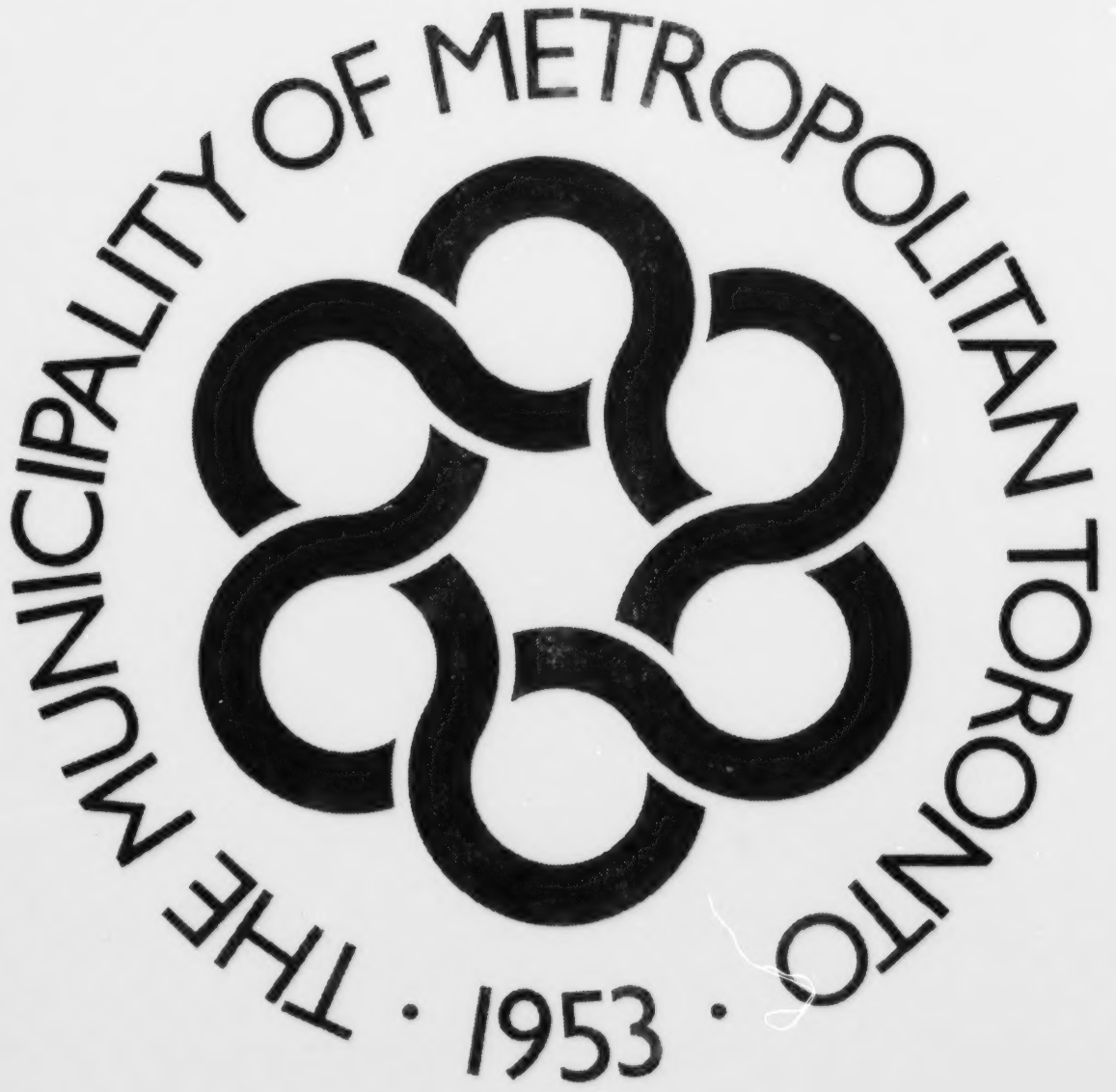
Year Ended December 31 (Dollars in Thousands)	1990	1989
Capital operations not yet permanently financed at beginning of year	**$ (3,883)**	**$ (72,486)**
Financing		
Contributions from current operations	**80,628**	89,628
Contributions from reserves and reserve funds	**97,550**	103,765
Long term liabilities incurred	**25,599**	78,126
Ontario grants	**129,859**	116,475
Other	**28,114**	51,242
	361,750	439,236
Expenditure		
General government	**52,237**	19,236
Protection to persons and property	**27,467**	28,149
Transportation services	**179,306**	174,305
Environmental services	**128,685**	104,472
Health services	**5,697**	6,298
Social and family services	**9,088**	15,241
Recreation and cultural services	**17,554**	22,789
Planning and development	**237**	143
	420,271	370,633
Capital operations not yet permanently financed at end of year	**$ (62,404)**	**$ (3,883)**

MUNICIPALITY OF METROPOLITAN TORONTO

ANALYSIS OF RESERVES AND RESERVE FUNDS

Year Ended December 31 (Dollars in Thousands)	1990	1989
Balance at beginning of year	**$ 294,269**	**$238,130**
Revenue		
Contributions from current operations	**221,605**	166,268
Interest earned	**15,516**	25,866
	237,121	192,134
Expenditure		
Transfers to current operations	**57,069**	32,230
Transfers to capital operations	**97,550**	103,765
	154,619	135,995
Balance at end of year	**$376,771**	**$294,269**

Metropolitan Toronto Waterworks System 1990



The Municipality of
Metropolitan Toronto

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Allan G. Andrews, C.A., *Metropolitan Auditor*

April 30, 1991

AUDITOR'S REPORT

**The Chairman and Members of
Metropolitan Council of the
Municipality of Metropolitan Toronto**

I have audited the balance sheet of the Metropolitan Toronto Waterworks System as at December 31, 1990 and the statements of current operations, capital operations, and reserves for the year then ended. These financial statements are the responsibility of the Waterworks System's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Metropolitan Toronto Waterworks System as at December 31, 1990 and the results of its operations for the year then ended in accordance with generally accepted accounting principles for Ontario municipalities.

METROPOLITAN AUDITOR

BALANCE SHEET

ASSETS Year Ended December 31 (Dollars in Thousands)	1990	1989
Current assets		
Funds on deposit with the Municipality of Metropolitan Toronto	$ 6,734	$ 8,071
Accounts receivable (note 3)	21,818	23,334
Inventories	801	801
Other	535	559
	29,888	32,765
Capital outlay financed by long term liabilities and to be recovered in future years	35,448	32,607
	$ 65,336	$ 65,372

see accompanying notes

LIABILITIES AND FUND BALANCES	1990	1989
Current liabilities		
Due to Municipality of Metropolitan Toronto (note 6)	$ -	$ 4,532
Accounts payable and accrued liabilities	7,800	9,594
Other (note 3)	3,361	4,296
	11,161	18,422
Net long term liabilities (note 7)	35,448	32,607
Fund balances at end of year		
Accumulated net revenue	1,111	-
Capital operations not yet permanently financed	(286)	(4,109)
Reserves (note 9)	17,902	18,452
	$ 65,336	$ 65,372

METROPOLITAN TORONTO WATERWORKS SYSTEM

STATEMENT OF CURRENT OPERATIONS

Year Ended December 31 (Dollars in Thousands)	1990	1989
Revenue		
Sale of water	$ 78,970	$ 76,578
Investment income	391	2,122
Other	435	436
	79,796	79,136
Expenditure		
Water supply	15,939	14,830
Power and pumping	19,925	19,094
Water transmission and distribution	4,777	4,592
Administration	19,154	18,508
	59,795	57,024
Principal payments and interest charges on long term debt (note 8)	11,896	13,699
Capital expenditures from current revenue	6,994	3,881
	78,685	74,604
Net revenue for the year	1,111	4,532
Transfer to Municipality of Metropolitan Toronto (note 6)	-	(4,532)
Accumulated net revenue, end of year	$ 1,111	$ -

See accompanying notes

STATEMENT OF CAPITAL OPERATIONS

Year Ended December 31 (Dollars in Thousands)	1990	1989
(Capital operations not yet permanently financed) Unexpended capital financing at beginning of year	**$ (4,109)**	**$ 4,462**
Financing		
Contributions from current operations	6,994	3,881
Contributions from reserve	550	3,818
Long term liabilities incurred	9,955	-
Ontario grants	1,027	3,243
Surplus sinking fund monies	4,296	3,078
Contributions from other municipalities	4,413	5,048
	27,235	19,068
Expenditure	23,412	27,639
Capital operations not yet permanently financed at end of year	**$ (286)**	**$ (4,109)**

See accompanying notes

METROPOLITAN TORONTO WATERWORKS SYSTEM

STATEMENT OF RESERVES

Year Ended December 31 (Dollars in Thousands)	1990	1989
Balance at beginning of year	**$ 18,452**	$ 22,270
Expenditure		
Transfer to capital operations	**550**	3,818
Balance at end of year	**$ 17,902**	$ 18,452

see accompanying notes

NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 1990

1. FINANCIAL ADMINISTRATION

The Municipality of Metropolitan Toronto Act requires the Waterworks System to be self-sustaining. The Act, as amended, also permits the use of waterworks system surplus funds for the financing of water pollution control works.

The revenues, expenditures, assets and liabilities of the System are accounted for separately from the operations of the Municipality. For administrative convenience, staff of the System are employed by the Municipality, but all employee costs are charged directly to the System. The Municipality also provides working capital, temporary funding for capital works and issues debentures on behalf of the System if or when required. Debt servicing requirements of these debentures are repaid by the System to the Municipality and charged against operating revenues of the System.

2. ACCOUNTING POLICIES

(a) Revenue and expenditure recognition

The accrual basis of accounting recognizes revenues as they become available and measurable; expenditures are recognized as they are incurred and measurable as a result of receipt of goods or services and the creation of a legal obligation to pay.

(b) Charges for long term liabilities

Revenues and expenditures are reported on the accrual basis of accounting with the exception of principal charges on long term liabilities which are charged against operations in the periods in which they are paid.

(c) Fixed assets

The historical cost and accumulated depreciation of fixed assets are not recorded for municipal purposes. Fixed assets are reported as an expenditure on the Statement of Capital Operations in the year of acquisition.

(d) Capital outlay financed by long term liabilities and to be recovered in future years

"Capital outlay financed by long term liabilities and to be recovered in future years", as reported on the Balance Sheet, represents the outstanding principal portion of unmatured long term liabilities for capital expenditures.

(e) Liabilities payable in foreign currencies

Long term debt payable in foreign currencies has been translated into Canadian funds at the exchange rate prevailing at December 31, 1990.

(f) Inventories

Inventories are valued at cost on the first-in, first-out basis.

3. Sinking Funds Surplus Monies

Sinking fund balances reflected in the value of net long term liabilities at the end of the year do not include specific accumulations at that date in excess of the total related debt. These accumulations amounting to $3,361,000 in 1990 (1989 - $4,296,000) are subject to a decision of The Metropolitan Council as to their use for either capital or current purposes. Accordingly, while they have been recorded as receivable, corresponding amounts have been set up as deferred revenue and are included on the Balance Sheet under "Other Current Liabilities".

4. Pension Agreements

(a) Ontario Municipal Employees Retirement Fund

The Metropolitan Waterworks System contributes to the Ontario Municipal Employees Retirement Fund (OMERS), a multi-employer plan, on behalf of 329 members (79%) of its staff. This plan is a defined benefit plan and specifies the amount of the retirement benefit to be received by the employees based on length of service and final average earnings.

The amount contributed to OMERS for current service in 1990 was $692,000 (1989 - $607,000) and is included as an expenditure on the Statement of Current Operations.

The latest actuarial valuation conducted at January 1, 1990, indicates that OMERS is in sound financial condition and that current member and employer contribution rates appear sufficient to fund future benefits.

(b) Metropolitan Toronto Pension Fund

The Metropolitan Waterworks System also participates in the Metropolitan Toronto Pension Fund that provides pensions based on length of service and final average earnings.

The amount contributed to this plan for current service in 1990 was $153,000 (1989 - $174,000) and is included as an expenditure on the Statement of Current Operations.

Actuarial estimates indicate that, based on projections of employees' compensation levels to time of retirement, current member and employer contribution rates appear sufficient to fund future benefits.

5. Liability for Vested Sick Leave Benefits

Under the sick leave benefit plan, unused sick leave can accumulate and employees may become entitled to a cash payment when they leave the employment of the Metropolitan Waterworks System.

The liability for these accumulated days, to the extent that they have vested and could be taken in cash by an employee on termination, amounted to $1,916,000 (1989 - $1,888,000) at the end of the year. An amount of $321,000 (1989 - $293,000) was paid to employees who left the employment of the System during the current year.

In order to provide for this past service liability the Metropolitan Waterworks System participates in a Corporate Sick Pay Reserve Fund established by the Municipality of Metropolitan Toronto for this purpose.

Contributions to this reserve fund are based on amounts deemed to be sufficient to provide for anticipated payments and in 1990 amounted to $108,000 (1989 - $77,000).

Anticipated payments over the next five years to employees of the System who are eligible to retire are as follows:

1991	$103,000
1992	112,000
1993	118,000
1994	123,000
1995	132,000

At December 31, 1990, the balance of the Corporate Sick Pay Reserve Fund was $9,422,000 (1989 - $9,752,000).

6. Transfer of Accumulated Net Revenue

Metropolitan Council approved the transfer of the balance of accumulated net revenue at the credit of the System as at December 31, 1989 in the sum of $4,532,000 to a Reserve Fund for Water Pollution Control Measures. This Reserve Fund, under the jurisdiction of the Municipality of Metropolitan Toronto, is to be applied to expedite and finance water pollution projects identified in annual budget reviews. The balance of accumulated net revenue as at December 31, 1990 in the sum of $1,111,000 was retained by the System.

7. NET LONG TERM LIABILITIES

(a) The net long term liabilities reported on the Balance Sheet are made up of the following:

(Dollars in Thousands)	1990	1989
Principal amount of long term liabilities outstanding	**$108,201**	$113,208
Less value of sinking funds accumulated to retire outstanding long term liabilities	**72,753**	80,601
Net long term liabilities	**$ 35,448**	$ 32,607

(b) Net long term liabilities - future redemption

Principal payments of the net long term liabilities reported in (a) of this note are as follows:

(Dollars in Thousands)	
1991 to 1995	$13,016
1996 to 2000	8,220
2001 and thereafter	57
	$21,293

The difference between the total of principal redemption indicated above ($21,293,000) and the total of net long term liabilities reported in note 7 (a) ($35,448,000) is related to the following two factors:

(i) Long term liabilities payable in U.S. funds reported in note (a) have been translated into Canadian funds at the exchange rate prevailing at December 31, 1990, whereas the projections of principal redemption above are based on $1 US = $1 Canadian.

(ii) The projections of principal redemption indicated above are based on the premise that actuarial sinking fund deposits (in respect of sinking fund debentures) will earn interest, capitalized yearly thereon, at a rate not exceeding 8% and which will be sufficient to repay such debentures in full at maturity.

(c) Translation of net long term liabilities payable in foreign currencies

Included in "Net long term liabilities" on the Balance Sheet and translated into Canadian funds at the rate of exchange prevailing at December 31, 1990 is an amount of US$14,455,000 (1989 - US$19,231,000), the translated value of which amounts to Cndn$16,772,000 (1989 - Cndn$22,266,000).

8. Charges for Net Long Term Liabilities

Total charges for the year for net long term liabilities which are reported on the Statement of Current Operations are as follows:

(Dollars in Thousands)	1990	1989
Principal payments including contributions to sinking funds	$ 2,322	$ 2,657
Interest	9,574	11,042
	$11,896	$13,699

9. Reserves

The total balance of $17,902,000 (1989 - $18,452,000) is made up of the following:

(Dollars in Thousands)	1990	1989
Exchange stabilization	$ 628	$ 628
Capital financing stabilization	7,274	7,824
Water rates stabilization	10,000	10,000
	$17,902	$18,452

a) Exchange Stabilization Reserve

An Exchange Stabilization Reserve has been established to cover situations where, at the time of payment, foreign currency exchange on principal and interest on long term debt in the year exceeded the amount provided in the operating budget. There were no transactions during 1990.

b) Capital Financing Stabilization Reserve

A Capital Financing Stabilization Reserve has been established to stabilize current fund contributions for capital expenditure. The present policy of Council for financing capital expenditures net of external financing and surplus sinking fund monies is to provide up to 50 per cent of the required financing by an annual provision in the operating budget, the balance being provided from debenture proceeds. If such annual provision produces funds greater or lesser than the foregoing guideline, such difference is transferred to or from the Reserve.

c) Reserve for Stabilization of Water Rates

Metropolitan Council approved the creation of a Reserve for Stabilization of Water Rates for the purpose of absorbing any future potential loss which could be experienced under extremes of adverse weather or operating conditions.

10. Workers' Compensation Obligations

The Municipality, as a Schedule II employer under the Workers' Compensation Act, follows a policy of self insurance for all its employees including those of the Metropolitan Waterworks System. Payments made to employees of the System for accidents incurred while employed are expensed when made. The total value of awards outstanding as at December 31, 1990 is estimated by management to be $3,000,000, such sum not including any potential increases to such awards. No provision has been made in the financial statements for this liability.